

December 21, 2020

To Our Stockholders:

Thank you for your investment in NorthStar Healthcare Income, Inc. (“NorthStar Healthcare”). We are writing today to provide you with an update on your investment, including information regarding the estimated per share value of our common stock.

The board of directors (the “Board”) of NorthStar Healthcare recently announced an estimated per share value of common stock of \$3.89 as of June 30, 2020.

NorthStar Healthcare engaged Duff & Phelps, LLC (“Duff & Phelps”), an independent third-party valuation firm, to assist the Board in determining an estimated per share value of NorthStar Healthcare’s common stock as of June 30, 2020. To estimate its value range, Duff & Phelps determined estimated value ranges on the 75 directly-owned properties, one debt investment and minority interests in five joint ventures in NorthStar Healthcare’s real estate portfolio, in each case as of June 30, 2020. Based on these valuations, and other factors deemed relevant by the audit committee of the Board (the “Audit Committee”), the Audit Committee, comprised solely of independent directors, recommended and the Board adopted an estimated per share value of \$3.89 of NorthStar Healthcare’s common stock as of June 30, 2020.

The various factors considered in determining the estimated per share value of NorthStar Healthcare’s common stock were based on a number of assumptions and estimates that may not be accurate or complete. Further, the value of NorthStar Healthcare’s common stock will fluctuate over time as a result of, among other things, changes in healthcare markets, developments related to individual assets and responses to the real estate and debt capital markets, business impacts and uncertainty resulting from the ongoing coronavirus 2019 pandemic (“COVID-19”). The Board intends to determine an updated estimated per share value of NorthStar Healthcare’s common stock on at least an annual basis.

The most significant factor driving the decline in the estimated per share value from \$6.25 as of June 30, 2019 to \$3.89 as of June 30, 2020 was COVID-19. COVID-19 impacted market conditions in the healthcare industry, and therefore NorthStar Healthcare’s valuation, in the following ways:

- Revenues decreased due to declines in occupancy resulting from, among other things, restrictions on admissions, limited inquiries and tours, increased resident illnesses and move-outs, and we anticipate that it will take an extended period of time for occupancy to return to stabilized levels.
- Operating costs increased due to rising labor costs and other pandemic-related expenses.
- As result of the factors above, operating cash flows of NorthStar Healthcare’s properties have declined. Although certain federal relief assistance programs helped to offset some of the declines in operating cash flows, we expect operating cash flows will also take an extended period of time to return to stabilized levels.
- In addition, because investment in our properties was slowed during 2020 to preserve liquidity, necessary capital expenditures in coming years is expected to be elevated compared to prior years.

Although we are disappointed in the decline in estimated per share value, we continue to believe in and continue to invest in our assets and platform. We believe the present and future benefit of long-term demographics for the healthcare real estate will benefit the sector once the effects of the pandemic abate. We remain committed to managing the portfolio through this difficult time in order to position and prepare to maximize future value for our shareholders

If you have any questions, please contact us at (877) 940-8777.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard S. Welch". The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard S. Welch  
Chairman